

## Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 ABF-01 FS-01 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 /078 W

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R 100909Z JAN 76

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 6562

C O N F I D E N T I A L ABIDJAN 0284

E.O. 11652: GDS

TAGS: EFIN, IV

SUBJECT: IVORIAN FOREIGN EXCHANGE RESERVES

REF: STATE 002332

1. SUMMARY. IVORIAN RESERVES HAVE DETERIORRATED SUBSTANTIALLY IN 1975, AS REPORTED BY THE IMF, BUT YEAR END POSITION IS FAR FROM CLEAR.

GOIC ATTEMPTED TO SUSTAIN GROWTH RATE AND DEVELOPMENT PLAN NOT-WITHSTANDING SHAPLY SWINGING PRICES FOR COFFEE AND COCOA. STEEP DECLINE IN DEMAND FOR WOOD DECREASED TIMBER EXPORTS AND DEPRESSED WOOD INDUSTRY FOR AT LEAST FIRST THREE QUARTERS OF 1975. GOIC THEREFORE DREW ON RESERVES ACCUMULATED FROM REMARKABLE GROWTH IN 1974 TO MAINTAIN DEVELOPMENT PROGRAM. END SUMMARY.

2. IVORY COAST MARKETYING BOARD ATTEMPTED TO HOLD COFFEE OFF MARKET IN FIRST HALF OF 1975 DUE TO VERY LOW PRICES FOR ROBUSTA, BUT WAS FORCED TO SELL SMALL QUANTITIES TO GAIN REVENUE FROM EXPORT TAX. AT PRICES PREVAILING AT THAT TIME, THESE SALES DID NOT GENERATE NORMAL RESERVE REVENUE. BUT COFFEE SALES PICKED UP SUBSTANTIALLY BEGINNING IN JUNE AND MAY HAVE STRENGTHENED RESERVE POSITION AT YEAR END.

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3. IVORY COAST ALSO HELD COCA OFF THE MARKET WHEN PRICES WERE SOFT IN EARLY 1975. IVORY COAST HELD COCA OFF THE MARKET IN EARLY FALL WHEN PRICES WERE RISING AND RETIRED FROM THE MARKET IN THE LAST TWO MONTHS OF THE YEAR. MINAG INFORMED AMBASSADOR THAT HIS MARKET EXPERTS PREDICT HIGHER PRICES IN 1976, AND THEREFORE GOIC IS HOLDING STOCKS IN ANTICIPATION OF GAINING HIGHER EXPORT EARNINGS.

4. WORLDWIDE SLUMP IN CONSTRUCTION HAD SEVERE IMPACT ON IVORY TIMBER PRODUCTION AND EXPORTS DURING 1975 OVER WHICH GOIC OBVIOUSLY HAD NO CONTROL.

5. MINFIN OFFICIAL STRESS THAT THEY REGARD 1975 AS AN ANOMALY. GOIC MADE DELIBERATE MARKETING DECISIONS BASED ON WORLD PRICES FOR TWO OF ITS MAJOR COMMODITIES. DECISIONS HAD TO BE MADE WHEN IVORIAN TERMS OF TRADE WERE DETERIORATING IN KEY IMPORTS, NOTABLY PETROLEUM. IMPACT OF FIVEFOLD INCREASE IN OIL PRICES WAS MORE SEVERE IN 1975 THAN IN 1974, SINCE IVORY COAST IS STILL HEAVILY DEPENDENT ON PETROLEUM-GENERATED POWER, AND EXPORT EARNINGS WERE LESS IN 1975 THAN IN 1974. IVORY COAST CONTINUED TO IMPORT CAPITAL EQUIPMENT FOR DEVELOPMENT PROGRAM, AND THUS HAD TO DRAW ON RESERVES EARNED IN 1974.

6. RESULTS OF GOIC EFFORTS IN FINAL QUARTER TO MINIMIZE IMPACT OF RESERVE OUTFLOW ARE NOT YET AVAILABLE. YEAR-END ASSESSMENT CABLE, WHICH FOLLOWS SHORTLY, PUTS RESERVE POSITION IN CONTEXT OF WHOLE ECONOMY. EMBASSY BELIEVES CAUTION SHOULD BE EXERCISED IN DISCUSSING RESERVE POSITION WITH BUSINESSMEN AND BANKERS. SOUNDING ALARM THAT IVORIAN ECONOMY IS IN DANGER BECAUSE OF LOW LEVEL OF RESERVES IN AUGUST AND SEPTEMBER IS NOT WARRANTED.  
SMITH

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## Message Attributes

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